

THIRTY FIVE CENTS

MAY 1949

MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

WHERE WE STAND — Introductory Editorial

REVIEW OF THE MONTH

WHY SOCIALISM? — Albert Einstein

RECENT DEVELOPMENTS IN AMERICAN CAPITALISM — Paul M. Sweezy

SOCIALISM AND AMERICAN LABOR — Leo Huberman

TRANSITION TO SOCIALISM IN EASTERN EUROPE — Oho Nathan

VOL. 1

1

EDITORS . . . LEO HUBERMAN . . . PAUL M. SWEETZ

CONTENTS

VOLUME ONE

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WHERE WE STAND: Introductory Editorial	1
REVIEW OF THE MONTH: The Atlantic Pact: China and Socialism	3
WHY SOCIALISM? by Albert Einstein	9
RECENT DEVELOPMENTS IN AMERICAN CAPITALISM by Paul M. Sweezy	16
SOCIALISM AND AMERICAN LABOR by Leo Huberman	22
TRANSITION TO SOCIALISM IN EASTERN EUROPE by Otto Nathan	28

ANNOUNCEMENT:

We are glad to announce the conclusion of a working agreement with *Cahiers Internationaux*, a new socialist magazine published in Paris, which has aims very similar to our own. Under the terms of this agreement we shall keep in close touch with the editors of *Cahiers Internationaux*, exchange manuscripts from time to time, and have the right to translate and publish material of special interest to our readers.

We also undertake to act as agent for *Cahiers Internationaux* in taking subscriptions. The yearly price (12 issues) is \$5 which should be made payable to *Monthly Review*.

We believe that this agreement will help to put our readers in direct touch with leading socialist writers of Europe, and we also hope that it will contribute to the establishment of closer relations in general between American and European socialists.

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281

WHERE WE STAND

During the early years of the 20th century the subject of socialism was widely and eagerly discussed in the United States. Eugene V. Debs, socialist candidate for president, polled close to 1,000,000 votes in 1912—the equivalent of approximately 3,000,000 votes in the 1948 election. The popular interest in socialism was reflected in an enormous sale of socialist literature. *The Appeal to Reason*, a weekly, had a circulation of more than 300,000 for several years; pamphlets by Oscar Ameringer were printed in editions of hundreds of thousands; books by Bellamy, Upton Sinclair, and Jack London ranked with the best sellers of the day.

This widespread interest in socialism has declined to such an extent that today it would probably not be an exaggeration to say that for the great majority of Americans socialism is little more than a dirty word. This is an extraordinary situation because it occurs at the very moment that a large proportion of the rest of the world is moving toward socialism at an unprecedentedly rapid rate. It is a deeply disturbing situation because there are still many Americans who believe, with us, that in the long run, socialism will prove to be the only solution to the increasingly serious economic and social problems that face the United States.

It is because we hold firmly to this belief that we are founding *Monthly Review*, an independent magazine devoted to analyzing, from a socialist point of view, the most significant trends in domestic and foreign affairs.

We mean by socialism a system of society with two fundamental characteristics: first, public ownership of the decisive sectors of the economy; and second, comprehensive planning of production for the benefit of the producers themselves.

The possibility and workability of such a system of society are no longer open to doubt. Socialism became a reality with the introduc-

tion of the first Five Year Plan in Soviet Russia in 1928; its power to survive was demonstrated by the subsequent economic achievements of the USSR during the '30's, and finally, once and for all, in the war against Nazi Germany. These facts—and they are facts which no amount of wishful thinking can conjure away—give to the USSR a unique importance in the development of socialism and in the history of our time.

We find completely unrealistic the view of those who call themselves socialists, yet imagine that socialism can be built on an international scale by fighting it where it already exists. This is the road to war, not to socialism. On the other hand, we do not accept the view that the USSR is above criticism, simply because it is socialist. We believe in, and shall be guided by, the principle that the cause of socialism has everything to gain and nothing to lose from a full and frank discussion of short-comings, as well as accomplishments, of socialist countries and socialist parties everywhere.

We shall follow the development of socialism all over the world, but we want to emphasize that our major concern is less with socialism abroad than with socialism at home. We are convinced that the sooner the United States is transformed from a capitalist to a socialist society, the better it will be not only for Americans but for all mankind.

We believe that there are already many Americans who share this attitude with us and that their number will steadily increase. We ask their financial support, their assistance in extending our circulation, and their advice as to how *Monthly Review* can best serve the cause of socialism in the United States.

LEO HUBERMAN

PAUL M. SWEEZY

THE ATLANTIC PACT

Recent weeks have witnessed two developments of world-historical importance: the conclusion of the so-called Atlantic Pact and the opening of the final phase of China's long-drawn-out civil war.

The Atlantic Pact is ostensibly aimed to prevent aggression against the signatory powers. This, however, is nonsense which will fool only the naive and the gullible. Despite much alarmist talk about the threat of Soviet aggression, not a shred of supporting evidence has been produced. This can only be because none exists.

What, then, are the real purposes of the Atlantic Pact? We believe that they can be grouped under three headings: first, strengthening America's hand in the cold war; second, providing international guarantees against revolutionary movements within the member states; and third, laying the groundwork for a grandiose military coalition to wage an eventual anti-Soviet war—a war which is now regarded as either “inevitable” or “highly probable” by an overwhelming proportion of the American ruling class. Many liberals seem to believe that the first of these objectives is worthy of support, while the other two are not. Hence the hesitating and ambivalent attitude of a large part of the liberal press toward the pact.

We believe, on the contrary, that analysis shows these three objectives to be all of a piece and the pact as a whole to be a powerful instrument of reaction deserving nothing but condemnation.

What are the objectives of the United States in the cold war? First and most important, control of all Germany. Second, control of eastern Europe up to the borders of the Soviet Union. These aims have been pursued ever since the end of the war, as clearly revealed in Byrnes' book *Speaking Frankly* (1947). They have been explicitly formulated again and again by Winston Churchill. In other words, the United States is waging a cold war of aggression against the Soviet Union. The Soviet Union, conversely, is waging a cold war of defense designed to assure continued control over the region from which the Red Army drove the Germans in World War II. The real issue in the cold war is thus whether east central Europe is to be a Soviet or an American sphere of influence. If this issue were settled in favor of the State Department view, the results would be disastrous in the extreme. Germany would once again be built up as a powerful

MONTHLY REVIEW

aggressor, and the smaller countries of eastern Europe would be the scene of a vicious counter-revolution. Only a political innocent could imagine that the cause of democracy and freedom would be furthered. Insofar as the signing of the Atlantic Pact strengthens the American hand in the cold war it is therefore an extremely dangerous development. The only sensible policy for the U. S. would be to call off the cold war, recognize the special Soviet position in eastern Europe, and enter into negotiations looking to the unification and neutralization of Germany. This is an immediately practical policy. The pact is intended to help win the cold war; what we need is to end the cold war.

The second and third objectives of the Atlantic Pact can be dealt with more briefly. After the Napoleonic Wars Tsarist Russia took the lead in promoting a Holy Alliance against revolution. The result is well known: Russia became the arch-symbol of despotism and reaction, hated by decent people everywhere. If the United States now assumes the same role we can hardly expect history to treat her more kindly. For let there be no mistake: the threat of revolution in countries like France and Italy comes not from Russian fifth columns but from the bankruptcy of capitalism and the determination of the workers to achieve a decent life for themselves and their children. This determination cannot be thwarted—not even in the name of “freedom and democracy”—without bringing eternal disgrace on those responsible.

The third purpose of the Atlantic Pact—to prepare for an “inevitable” or “highly probable” war—is in many ways the most dangerous and reprehensible of all. War is inevitable only if one country, or a group of countries, becomes irrevocably committed to imperialism and militarism as props to its internal economic system and class structure. There is no likelihood that this will happen in the Soviet Union; a planned socialist economy is not subject to the diseases of overproduction and mass unemployment. There is the greatest danger that it will happen in the United States; even now we are staving off depression in this country only by unprecedented military expenditures, and the pressure to increase such outlays as a means of maintaining production and employment is tremendous and growing. The doctrine of the “inevitable” war is the most powerful weapon in the hands of the militarists and their big business allies who fear nothing so much as a genuine settlement of the outstanding differences between the United States and the Soviet Union. Insofar as the Atlantic Pact is a step in preparing for the “inevitable” war, it helps to rivet the bonds of militarism on the American people

and to hasten the terrible event from which they, in common with people everywhere, have nothing to gain and everything to lose.

On every count the Atlantic Pact is a reactionary and dangerous instrument. It is designed to intensify the cold war, to preserve the *status quo* in regions where capitalism has already shown itself to be too weak and rotten to maintain itself, and to prepare for a war which is "inevitable" only if American policy makes it so. All this in the name of democracy, freedom, and the prevention of aggression!

CHINA AND SOCIALISM

The beginning of the end of the Chinese civil war is an event of a very different character. It has been clear, ever since the fall of Mukden and the battle of Suchow last autumn, that the Communists had won decisive military superiority over the unpopular and corrupt Kuomintang regime. The intervening months have been used by the Communists to consolidate their position and to hasten by political pressure the disintegration of the opposition. This process has now obviously gone far, and the advance of the well-disciplined and now relatively well-equipped Communist armies is not likely to meet with much serious military resistance.

The impending victory of the Chinese Communists is a world-shaking event comparable in importance to the Russian Revolution of 1917. Then, one-sixth of the land surface of the globe; now, one-fifth of the human race. Historians of the future will doubtless rank 1949 among the crucial years in "The Period of Transition from Capitalism to Socialism", which will surely be as popular a subject with scholars and students as "The Renaissance" and "The Reformation" are today. But there will be this difference: interest in the Renaissance and the Reformation is largely found in countries with a western European background; interest in the transition from capitalism to socialism will be universal.

The rise of the Chinese Communists is an amazing story of endurance, courage, and skill. Starting literally from scratch after World War I, they fought their way forward against seemingly insuperable obstacles and grew strong and tough in the process. The assistance they received from abroad has always been negligible and normally non-existent; the opposition has been as formidable as the Japanese and American ruling classes could contrive. Often stricken down, the Chinese Communists, like Antaeus in the Greek myth, each time rose up again with redoubled strength to carry the fight to their enemies. The Long March of 1934-35, the organiza-

MONTHLY REVIEW

tion of the countryside behind the Japanese lines, the building up of an army capable of overcoming in three short years the American-equipped and partially American-trained troops of Chiang Kai-shek—these and many other achievements form the elements of an epic which is unique in all the annals of history and will be studied with admiration as long as the human race maintains an interest in its own astonishing potentialities.

What is the outlook in China now? Obviously it would be wrong to equate the victory of the Communists with the introduction of socialism in China. This is not because the Communists are not socialists or, like so many who call themselves socialists in the world today, have lost sight of the socialist goal. Even a cursory reading of those writings of Mao Tse-tung which have recently been made available in English translation is enough to dispose of any such notion. The reason is rather that conditions are not yet ripe for the introduction of socialism in China.

The essence of socialism is production for use in accordance with a comprehensive plan. But this is possible only if production for profit has been eliminated from the key sectors of the economy; if the whole economy is responsive to centralized directives; if the planners have a working knowledge of the human and material resources at their disposal; if the machinery of economic administration has reached a certain minimum level of skill and proficiency. None of these conditions exists in China at the present time, and they are not likely to in the near future. In the meantime it will be the central task of the new Chinese government to *create* these conditions as rapidly and effectively as possible.

This preparatory, or pre-socialist, period will necessarily have two sides to it: clearing away the rubbish of the past and putting up the scaffolding for the new structure of the future. The first will be particularly in evidence in the field of agrarian relations. The peasant must be released from the oppression of landlord, usurer, and tax-gatherer before he will be ready to take part in socialist construction. Thus individual peasant farming will form the basis of the agrarian economy for a long time to come. Nevertheless, as Mao Tse-tung made clear in his report of December, 1947, to the Central Committee of the Communist Party, steps will be taken as rapidly as feasible to guide agriculture "step by step in the direction of co-operatives in the future."

In industry (including transportation and other public utilities) the state already has considerable investments, and it is planned to add to these the holdings of the so-called bureaucratic capitalists.

In this field it will therefore be possible to begin at once to create the conditions essential to the functioning of a planned socialist economy. Small-scale (manufacturing and handicraft) production and the bulk of trade will be left in the hands of private producers and traders and will be encouraged to develop. As time passes and capital accumulation proceeds, however, the relation between the public and the private sectors will gradually change, the former becoming both absolutely and relatively more important, the latter becoming increasingly dependent for crucial materials and services. Thus along with the development of planning machinery will go an extension of its range of effective control. Eventually—after a period which will probably be measured in decades rather than years—these processes of economic transformation and development will have reached a point at which China will be ready to take the last step to full-fledged socialist planning. Thereafter progress will be both much quicker and much smoother.

Are these the idle speculations of utopians and dreamers? Or is there reasonable ground for believing that we can already construct a reliable guide to the future course of events in China?

Quite apart from strong indications—especially in the writings of Mao Tse-tung—that this is the path which the Chinese Communists *intend* to follow, we have the testimony of Soviet experience that it is not only a possible path but in general a necessary path for backward countries to travel on their journey to socialism. The experience of War Communism from 1918 to 1921 (which was forced on the Soviet Union rather than deliberately chosen) proved the impossibility of plunging at once into a centrally directed and fully planned economy. The New Economic Policy (NEP), introduced by Lenin in 1921, inaugurated just such a preparatory or pre-socialist period as is now in prospect in China. Under NEP, individual peasant farming predominated in agriculture; the “commanding heights” were retained by the state; private enterprise was encouraged in small-scale production and trade. As reconstruction and recovery proceeded, the relative strength and importance of the state sector increased; concomitantly, the machinery of planning and economic administration expanded and acquired the skill and experience required for the next step forward. Finally, by 1928 the stage was set for the first Five Year Plan and the collectivization of agriculture which together marked the transition from a “mixed” economy to full-fledged socialism.

Historical experience must, of course, be used with caution. There are many significant differences between Russia after World War I

MONTHLY REVIEW

and China today. The international situation is not the same. The very fact that the Soviet Union has already been through the transition to socialism is of enormous importance. But when full allowance has been made for all these factors, it remains true that the problems which China faces today are basically the problems which Russia faced at the beginning of the 1920's. Russia solved these problems not according to the abstract blueprints of theorists, not as her leaders might have wished to solve them, but on terms dictated by the hard facts of physical environment, social structure, and inherited culture. There is every reason to believe that the same combination of hard facts will dictate essentially similar terms to the new China which is now emerging to play its part in shaping the socialist world of the future.

May 1, 1949

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All eyes are opened, or opening to the rights of man. The general spread of the light of science has already laid open to every view the palpable truth that the mass of mankind has not been born, with saddles on their backs; nor a favored few bootied and spurred, ready to ride them legitimately, by the grace of God.

Thomas Jefferson

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The Earth was made by almighty God to be a Common Treasury of Livelihood to the whole of mankind in all its branches, without respect of persons.

Gerrard Winstanley, 1648.

WHY SOCIALISM?

BY ALBERT EINSTEIN

Is it advisable for one who is not an expert on economic and social issues to express views on the subject of socialism? I believe for a number of reasons that it is.

Let us first consider the question from the point of view of scientific knowledge. It might appear that there are no essential methodological differences between astronomy and economics: scientists in both fields attempt to discover laws of general acceptability for a circumscribed group of phenomena in order to make the interconnection of these phenomena as clearly understandable as possible. But in reality such methodological differences do exist. The discovery of general laws in the field of economics is made difficult by the circumstance that observed economic phenomena are often affected by many factors which are very hard to evaluate separately. In addition, the experience which has accumulated since the beginning of the so-called civilized period of human history has—as is well known—been largely influenced and limited by causes which are by no means exclusively economic in nature. For example, most of the major states of history owed their existence to conquest. The conquering peoples established themselves, legally and economically, as the privileged class of the conquered country. They seized for themselves a monopoly of the land ownership and appointed a priesthood from among their own ranks. The priests, in control of education, made the class division of society into a permanent institution and created a system of values by which the people were thenceforth, to a large extent unconsciously, guided in their social behavior.

But historic tradition is, so to speak, of yesterday; nowhere have we really overcome what Thorstein Veblen called “the predatory phase” of human development. The observable economic facts belong to that phase and even such laws as we can derive from them are not applicable to other phases. Since the real purpose of socialism is precisely to overcome and advance beyond the predatory phase of human development, economic science in its present state can throw little light on the socialist society of the future.

Second, socialism is directed towards a social-ethical end. Science, however, cannot create ends and, even less, instill them in human

Albert Einstein is the world-famous physicist.

MONTHLY REVIEW

beings; science, at most, can supply the means by which to attain certain ends. But the ends themselves are conceived by personalities with lofty ethical ideals and—if these ends are not stillborn, but vital and vigorous—are adopted and carried forward by those many human beings who, half unconsciously, determine the slow evolution of society.

For these reasons, we should be on our guard not to overestimate science and scientific methods when it is a question of human problems; and we should not assume that experts are the only ones who have a right to express themselves on questions affecting the organization of society.

Innumerable voices have been asserting for some time now that human society is passing through a crisis, that its stability has been gravely shattered. It is characteristic of such a situation that individuals feel indifferent or even hostile toward the group, small or large, to which they belong. In order to illustrate my meaning, let me record here a personal experience. I recently discussed with an intelligent and well-disposed man the threat of another war, which in my opinion would seriously endanger the existence of mankind, and I remarked that only a supra-national organization would offer protection from that danger. Thereupon my visitor, very calmly and coolly, said to me: "Why are you so deeply opposed to the disappearance of the human race?"

I am sure that as little as a century ago no one would have so lightly made a statement of this kind. It is the statement of a man who has striven in vain to attain an equilibrium within himself and has more or less lost hope of succeeding. It is the expression of a painful solitude and isolation from which so many people are suffering in these days. What is the cause? Is there a way out?

It is easy to raise such questions, but difficult to answer them with any degree of assurance. I must try, however, as best I can, although I am very conscious of the fact that our feelings and strivings are often contradictory and obscure and that they cannot be expressed in easy and simple formulas.

Man is, at one and the same time, a solitary being and a social being. As a solitary being, he attempts to protect his own existence and that of those who are closest to him, to satisfy his personal desires, and to develop his innate abilities. As a social being, he seeks to gain the recognition and affection of his fellow human beings, to share in their pleasures, to comfort them in their sorrows, and to improve their conditions of life. Only the existence of these varied, frequently conflicting, strivings accounts for the special char-

acter of a man, and their specific combination determines the extent to which an individual can achieve an inner equilibrium and can contribute to the well-being of society. It is quite possible that the relative strength of these two drives is, in the main, fixed by inheritance. But the personality that finally emerges is largely formed by the environment in which a man happens to find himself during his development, by the structure of the society in which he grows up, by the tradition of that society, and by its appraisal of particular types of behavior. The abstract concept "society" means to the individual human being the sum total of his direct and indirect relations to his contemporaries and to all the people of earlier generations. The individual is able to think, feel, strive, and work by himself; but he depends so much upon society—in his physical, intellectual, and emotional existence—that it is impossible to think of him, or to understand him, outside the framework of society. It is "society" which provides man with food, clothing, a home, the tools of work, language, the forms of thought, and most of the content of thought; his life is made possible through the labor and the accomplishments of the many millions past and present who are all hidden behind the small word "society."

It is evident, therefore, that the dependence of the individual upon society is a fact of nature which cannot be abolished—just as in the case of ants and bees. However, while the whole life process of ants and bees is fixed down to the smallest detail by rigid, hereditary instincts, the social pattern and interrelationships of human beings are very variable and susceptible to change. Memory, the capacity to make new combinations, the gift of oral communication have made possible developments among human beings which are not dictated by biological necessities. Such developments manifest themselves in traditions, institutions, and organizations; in literature; in scientific and engineering accomplishments; in works of art. This explains how it happens that, in a certain sense, man can influence his life through his own conduct, and that in this process conscious thinking and wanting can play a part.

Man acquires at birth, through heredity, a biological constitution which we must consider fixed and unalterable, including the natural urges which are characteristic of the human species. In addition, during his lifetime, he acquires a cultural constitution which he adopts from society through communication and through many other types of influences. It is this cultural constitution which, with the passage of time, is subject to change and which determines to a very large extent the relationship between the individual and society.

MONTHLY REVIEW

Modern anthropology has taught us, through comparative investigation of so-called primitive cultures, that the social behavior of human beings may differ greatly, depending upon prevailing cultural patterns and the types of organization which predominate in society. It is on this that those who are striving to improve the lot of man may ground their hopes: human beings are *not* condemned, because of their biological constitution, to annihilate each other or to be at the mercy of a cruel, self-inflicted fate.

If we ask ourselves how the structure of society and the cultural attitude of man should be changed in order to make human life as satisfying as possible, we should constantly be conscious of the fact that there are certain conditions which we are unable to modify. As mentioned before, the biological nature of man is, for all practical purposes, not subject to change. Furthermore, technological and demographic developments of the last few centuries have created conditions which are here to stay. In relatively densely settled populations with the goods which are indispensable to their continued existence, an extreme division of labor and a highly-centralized productive apparatus are absolutely necessary. The time — which, looking back, seems so idyllic—is gone forever when individuals or relatively small groups could be completely self-sufficient. It is only a slight exaggeration to say that mankind constitutes even now a planetary community of production and consumption.

I have now reached the point where I may indicate briefly what to me constitutes the essence of the crisis of our time. It concerns the relationship of the individual to society. The individual has become more conscious than ever of his dependence upon society. But he does not experience this dependence as a positive asset, as an organic tie, as a protective force, but rather as a threat to his natural rights, or even to his economic existence. Moreover, his position in society is such that the egotistical drives of his make-up are constantly being accentuated, while his social drives, which are by nature weaker, progressively deteriorate. All human beings, whatever their position in society, are suffering from this process of deterioration. Unknowingly prisoners of their own egotism, they feel insecure, lonely, and deprived of the naive, simple, and unsophisticated enjoyment of life. Man can find meaning in life, short and perilous as it is, only through devoting himself to society.

The economic anarchy of capitalist society as it exists today is, in my opinion, the real source of the evil. We see before us a huge community of producers the members of which are unceasingly striving to deprive each other of the fruits of their collective labor—not

by force, but on the whole in faithful compliance with legally established rules. In this respect, it is important to realize that the means of production—that is to say, the entire productive capacity that is needed for producing consumer goods as well as additional capital goods—may legally be, and for the most part are, the private property of individuals.

For the sake of simplicity, in the discussion that follows I shall call “workers” all those who do not share in the ownership of the means of production—although this does not quite correspond to the customary use of the term. The owner of the means of production is in a position to purchase the labor power of the worker. By using the means of production, the worker produces new goods which become the property of the capitalist. The essential point about this process is the relation between what the worker produces and what he is paid, both measured in terms of real value. Insofar as the labor contract is “free,” what the worker receives is determined not by the real value of the goods he produces, but by his minimum needs and by the capitalists’ requirements for labor power in relation to the number of workers competing for jobs. It is important to understand that even in theory the payment of the worker is not determined by the value of his product.

Private capital tends to become concentrated in few hands, partly because of competition among the capitalists, and partly because technological development and the increasing division of labor encourage the formation of larger units of production at the expense of the smaller ones. The result of these developments is an oligarchy of private capital the enormous power of which cannot be effectively checked even by a democratically organized political society. This is true since the members of legislative bodies are selected by political parties, largely financed or otherwise influenced by private capitalists who, for all practical purposes, separate the electorate from the legislature. The consequence is that the representatives of the people do not in fact sufficiently protect the interests of the underprivileged sections of the population. Moreover, under existing conditions, private capitalists inevitably control, directly or indirectly, the main sources of information (press, radio, education). It is thus extremely difficult, and indeed in most cases quite impossible, for the individual citizen to come to objective conclusions and to make intelligent use of his political rights.

The situation prevailing in an economy based on the private ownership of capital is thus characterized by two main principles: first, means of production (capital) are privately owned and the owners

MONTHLY REVIEW

dispose of them as they see fit; second, the labor contract is free. Of course, there is no such thing as a *pure* capitalist society in this sense. In particular, it should be noted that the workers, through long and bitter political struggles, have succeeded in securing a somewhat improved form of the "free labor contract" for certain categories of workers. But taken as a whole, the present day economy does not differ much from "pure" capitalism.

Production is carried on for profit, not for use. There is no provision that all those able and willing to work will always be in a position to find employment; an "army of unemployed" almost always exists. The worker is constantly in fear of losing his job. Since unemployed and poorly paid workers do not provide a profitable market, the production of consumers' goods is restricted, and great hardship is the consequence. Technological progress frequently results in more unemployment rather than in an easing of the burden of work for all. The profit motive, in conjunction with competition among capitalists, is responsible for an instability in the accumulation and utilization of capital which leads to increasingly severe depressions. Unlimited competition leads to a huge waste of labor, and to that crippling of the social consciousness of individuals which I mentioned before.

This crippling of individuals I consider the worst evil of capitalism. Our whole educational system suffers from this evil. An exaggerated competitive attitude is inculcated into the student, who is trained to worship acquisitive success as a preparation for his future career.

I am convinced there is only *one* way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow men in place of the glorification of power and success in our present society.

Nevertheless, it is necessary to remember that a planned economy is not yet socialism. A planned economy as such may be accompanied by the complete enslavement of the individual. The achievement of socialism requires the solution of some extremely difficult socio-political problems: how is it possible, in view of the far-reaching centraliza-

tion of political and economic power, to prevent bureaucracy from becoming all-powerful and overweening? How can the rights of the individual be protected and therewith a democratic counterweight to the power of bureaucracy be assured?

Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the foundation of this magazine to be an important public service.



The issue is socialism versus capitalism. I am for socialism because I am for humanity. We have been cursed with the reign of gold long enough. Money constitutes no proper basis of civilization. The time has come to regenerate society—we are on the eve of a universal change.

Eugene V. Debs

RECENT DEVELOPMENTS IN AMERICAN CAPITALISM

BY PAUL M. SWEETZ

The first obligation of socialists is to see the present in historical perspective, to understand those underlying economic and social trends which mold seemingly arbitrary contemporary events into a meaningful pattern.

During the period of the Great Depression and the New Deal, the American left had a much clearer grasp of these underlying realities than it has today. Congressional committees and government agencies, beginning with the Pecora investigation of Stock Exchange Practices and continuing through the Temporary National Economic Committee, poured out a steady stream of extremely valuable descriptive and analytical material. Economists, jolted out of their traditional complacency by the depression and the "heresies" of Keynes, began to see that capitalism is a system of contradictions and not of harmonies. The left-wing Keynesians, led by Alvin Hansen of Harvard, even went so far as to assert that the American economic system had entered a period of stagnation which could be relieved only by massive government action.

But now, a decade later, serious investigations are strictly out of fashion, and pessimistic views about the future of free enterprise are looked upon as little short of traitorous. Only occasionally does a government document give us a quick glance behind the scenes; the economists, whose memory was never good for much more than ten years, have gratefully forgotten about the gloomy forebodings of the 'thirties.

Under these circumstances the responsibility of socialists is greater than ever. They must apply themselves with redoubled energy to the task of penetrating the veil of official deception and academic evasion which prevents even conscientious students of social phenomena from grasping the basic structure and tendencies of American capitalism. It is the purpose of this article to assist in this task by placing in sharp relief the decisive developments of recent years.

By far the most important thing to understand about American capitalism is that its power to accumulate capital is much greater than its capacity to make sustained use of additional capital in private profit-making industry. Individual capitalists can do nothing about this; unless they take action as a class, i.e. through the state, the result is bound to be chronic depression and mass unemployment.

RECENT DEVELOPMENTS IN AMERICAN CAPITALISM

It is not possible to say precisely when American capitalism reached this stage of development. An economic crisis was undoubtedly approaching in 1914, and if there had been no war it might have inaugurated the period of chronic depression. But World War I intervened and provided the stimulus, directly and indirectly, to a decade and a half of abnormally prosperous conditions which were interrupted only briefly by the crisis of 1920-21. By 1929 this stimulus had exhausted itself, and American capitalism rapidly sank into a depression of unprecedented scope and intensity.

The years 1933 through 1939 (roughly Roosevelt's first two terms) constituted the period of the New Deal, which was characterized by extensive social reforms and a relative lack of emphasis on imperialist and militaristic activities. Expenditures of the Federal Government for military purposes actually declined from \$1.8 billions in 1932 to \$1.6 billions in 1939 (Temporary National Economic Committee Monograph No. 20, p. 58). The relative decline was much greater (from nearly 40 percent of total expenditures to less than 20 percent) because expenditures on public works and social services simultaneously increased from approximately \$0.5 billions to \$5 billions (*ibid.*, p. 61). Despite this increase in government expenditures on public works and social services, the period was one of persistent and heavy unemployment. No one knows how many were unemployed at the bottom of the depression in 1932-33, but the figure was certainly more than 15 million; and in only one year of the New Deal (1937) did unemployment fall appreciably below 10 million.

It was only during the 1940's, when military expenditures increased rapidly, that unemployment disappeared and American capitalism achieved a volume of production approaching its full capacity. The wartime peak of Federal Government expenditures (very largely devoted, directly or indirectly, to military purposes) was \$99 billions in 1945. Since the end of the war this figure has of course declined, but there has been no return to the *status quo ante*. According to the budget submitted by President Truman to Congress in January, total expenditures in the fiscal year ending June 30, 1950, will amount to \$42 billions divided as follows:

National defense	14.3	billions
International affairs	6.7	"
Veterans' benefits	5.5	"
Interest on public debt	5.5	"
All other	10.0	"

The first item on this list, national defense, is the military budget

MONTHLY REVIEW

in the narrow sense; the second item, international affairs, comprises the Marshall Plan and other so-called "aid" programs which are primarily motivated by strategic and imperialist considerations; the third and fourth items, veterans' benefits and interest on the public debt, are almost exclusively attributable to the last two wars. Thus more than three-quarters of the present unprecedented peacetime budget (before 1940 *total* peacetime expenditures never exceeded \$10 billion) is devoted to paying for past wars or preparing for future wars.

There can be no doubt that but for these enormous outlays for direct and indirect military purposes we should have had an economic crash long since. This is now so widely admitted by business and government spokesmen that it is no longer necessary to cite evidence to prove it. But recent events have shown that even with present levels of military expenditure it is by no means certain that a serious depression can be avoided. The real figure for unemployment is now probably nearly 5 million—the official figure is about 3.2 million, but economists of the United Electrical Workers have demonstrated in a very able report that this is a substantial understatement—and a large part of the business press is anything but optimistic about the prospects for the months ahead. This situation clearly constitutes a standing invitation to the American ruling class to embark upon new militaristic and imperialist adventures.

We are led inescapably to the conclusion that at least for the last twenty years American capitalism has at no time been able to achieve high levels of production and employment except by means of enormous war-related expenditures by the Federal Government. This is more true today than ever before, even a war-related budget of more than \$30 billion a year being insufficient to scotch the danger of an economic collapse.

At this point, however, we must pause to ask a question. It is certainly a fact that American capitalism has become increasingly geared to militarism and imperialism, but is it not conceivable that other forms of government expenditure (coupled, of course, with appropriate policies in such fields as taxation and price control) would be capable of achieving comparable or even more impressive economic results?

As a matter of pure logic, of course, such a possibility exists. A given number of billion dollars will affect the economic system in much the same way whether it is spent on armaments and soldiers' pay or whether it is spent on housing and social security: x billion \$ \equiv x billion \$, so much is clear. The liberal case for a "reformed" capitalism rests in the final analysis on this simple proposition. But

what the liberals overlook is that the problem is not one of logic but of economic and political power. And under capitalism economic and political power are ultimately in the hands of the capitalist class—and the only forms of massive government spending which are acceptable to the capitalist class are those which have imperialist expansion and war preparations as their aim.

Why should this be so? Is it the result of ignorance or stupidity on the part of the capitalists? Or have they good reasons for their attitude?

The answer is clear: from the point of view of their own narrow interests they have very good reasons. To raise the purchasing power of the masses and to invest in socially useful projects on a large scale would involve a deliberate redistribution of income from the wealthier to the poorer sections of the population. Moreover, and this is at least as important, such a program would teach the workers the power of collective action, would raise their educational and cultural level, and eventually would convince them that society could get along very nicely without capitalists living off the fat of the land and interfering with the efficient functioning of the economy. In short, the capitalists would suffer a gradual loss of both economic and political power. This does not bother the liberals, but it does bother the capitalists.

By way of contrast, war-related expenditures are subject to none of these disadvantages. They cost the capitalists money, to be sure, but a good share comes back in the form of higher profits which are now defended as essential to military preparedness. The bigotry and chauvinism which accompany the militarization of society, moreover, play right into the hands of the capitalists. The institutions of the country are identified with the country itself, and the dissenter is stigmatized as a saboteur and a traitor.

For all these reasons, the capitalists resolutely reject the sweet reason of liberal reform and rely increasingly on imperialism and militarism to maintain the system from which they benefit.

Let us now turn to the question of monopoly and the concentration of economic power. The National Resources Planning Board, in its important study *The Structure of the American Economy*, published in 1939, established the fact that the relative importance of the biggest corporations had grown steadily up to 1933. In 1909 the 200 largest nonfinancial corporations held approximately one third of the assets of all nonfinancial corporations; the figure had risen to between 45 and 50 percent by 1929, and to between 55 and 60 percent by 1933. The same study likewise showed that a large

MONTHLY REVIEW

proportion of these corporate giants were linked together in eight more or less tightly integrated "interest groups." And the TNEC, in its Monograph No. 29 (1940), revealed, behind the fig-leaf of the small stockholder, the naked fact that most of the largest corporations are substantially owned by a relatively few wealthy families.

What has been happening to the American economy in these very important respects during the last decade and a half?

Unfortunately, to assemble the relevant facts requires much laborious research and access to material which is not normally made public; the job, in short, can only be done by a liberally financed investigation which has the cooperation of a number of government agencies. Needless to say, neither money nor cooperation has been available for such obviously subversive activities in recent years. Hence it is impossible to make an accurate comparison between pre-war and post-war conditions. Nevertheless, the Smaller War Plants Corporation and the Federal Trade Commission—each because it has a special axe of its own to grind—have disclosed enough information to leave us in no doubt about the direction of developments and in little doubt that the pace has been unprecedentedly rapid. Two composite quotations will give the gist of the story.

The first is from *Economic Concentration and World War II*, a report submitted in 1946 by the SWPC to a special Senate Committee on the problems of small business. It relates to the period up to 1945.

The relative importance of big business, particularly the giant corporations, increased sharply during the war, while the position of small business declined . . . In each of the war industries, with but one exception, firms with 10,000 or more employees grew in relative importance. In manufacturing as a whole, these few giants accounted for 13 percent of total employment in 1939, and for fully 31 percent of the total in 1944 . . . In the nonwar industries, which made few gains during the war, small business, generally speaking, held its own. Taking manufacturing as a whole, the giants expanded greatly, while all other firms, especially small business, suffered a substantial decline . . .

The second quotation is from an official press release summarizing the *Report of the Federal Trade Commission on the Merger Movement* (1948). The report relates primarily to the war and post-war years.

The sharp upward movement in mergers and acquisitions has been most pronounced during the last three years. In this respect the present trend has closely followed the pattern established after World War I . . . Merger activity turned sharply upward with the end of World War II and has continued at a relatively high level through 1947. In the final quarter of 1947, more mergers and acquisitions were reported than in any fourth quarter—with the single exception

RECENT DEVELOPMENTS IN AMERICAN CAPITALISM

of 1945—since 1930. The recent merger movement has extended to virtually all phases of manufacturing and mining . . . As in earlier periods, high corporate profits have fed the merger movement . . . Not only do profits provide the financial wherewithal with which to effect mergers, but more than that, they exert a powerful pressure on business to expand, both internally by building new plant and equipment, and externally by absorbing existing firms. At the end of June 1947, the 78 largest manufacturing corporations had sufficient net working capital to buy up the assets of some 50,000 manufacturing corporations of less than \$1 million in assets each, representing more than 90 percent of all manufacturing corporations . . .

This last quotation calls attention to a phenomenon of great and growing importance, the extent to which the huge corporate giants now finance their expansion internally (i.e. by plowing back profits instead of distributing them to stockholders) and have consequently become independent of the capital markets generally and of banker control in particular. Much evidence bearing on this subject was introduced into the hearings on corporate profits held last December by a subcommittee of the Joint [Senate and House] Committee on the Economic Report. In a report summarizing these hearings the subcommittee commented: "While the evidence was not always conclusive as to the causes, the fact was made amply clear that most expansion funds for business are now being, and are expected to be, provided through retained earnings." One consequence of this is that "Wall Street" is an increasingly misleading symbol of concentrated economic control in the United States. The investment banker, of which J. P. Morgan was the prototype of an earlier day, is now a relatively minor figure in the American economy—so much so that his services can easily be spared and he can be sent to Washington as the ideal trustee of business interests in the government. So far as the big commercial banks are concerned, it is probably now more accurate to say that they are controlled by industry than vice versa. But until a serious investigation of the facts is undertaken, we shall have to be content with very general statements in this field.

This article has highlighted two basic features of present-day American society: (1) that without the support provided by enormous expenditures on imperialist and militaristic ventures, American capitalism would quickly sink into a morass of chronic depression and mass unemployment; and (2) that American capitalism is coming increasingly under the domination of a few giant corporations which in turn are owned and controlled by a handful of extremely rich capitalists. The editors of *Monthly Review* believe that a recognition of these facts is the beginning of realistic thinking about our world.

SOCIALISM AND AMERICAN LABOR

BY LEO HUBERMAN

What has been the relationship between socialism and the American labor movement? What should be? The need for seeing the problem as a whole is apparent today when the gap between what American labor is doing and what it should do—and could do—is perhaps wider than ever before.

In socialist theory the trade union movement has a two-fold purpose. The first is to better the condition of workers within the framework of the capitalist system; the second is to help change the system. The struggle for immediate gains—for higher wages, shorter hours, and better conditions—is not something separate and distinct from the struggle for socialism; on the contrary, the struggle for reforms is the training ground in which workers prepare themselves for reaching the final goal of transformation of the existing order.

On the continent of Europe where the trade union movement was developed and led by Marxists, the emphasis from the very beginning, was placed on the aim of changing the system. In the United States, however, the reverse was true. All the efforts of immigrant radicals in the 1880's and '90's to win over the trade unions to a class conscious revolutionary program were defeated and "pure and simple unionism"—the promotion of the immediate interests of the workers within the capitalist system—became the fixed goal of the American Federation of Labor. "We have no ultimate ends. We are going on from day to day. We are fighting for immediate objects—objects that can be realized in a few years," testified Adolph Strasser, president of the Cigar Makers' Union before the Senate Committee on Relations between Capital and Labor in 1883.

The founders of the AFL—Strasser and Samuel Gompers of the Cigar Makers, and P. J. McGuire of the Carpenters—were aware of the realities of the capitalist system and the place of the worker in it. They recognized the existence of the class struggle. The first part of the preamble to the constitution of the AFL makes that clear:

Whereas, a struggle is going on in all the nations of the civilized world between the oppressors and the oppressed of all countries, a struggle between the capitalist and the laborer, which grows in intensity from year to year, and will work disastrous results to the toiling millions if they are not combined for mutual protection and benefit . . .

However, the recognition of the fact that there was a struggle going on between "the oppressors and the oppressed of all countries" did not mean for the leaders of the AFL that the solution to the problem lay in the overthrow of the wage system. No. They were content to continue in a master-and-servant relationship with capital—but they wanted a bigger share for themselves as servants.

Class-conscious radicals, both inside and outside the AFL, fought to change its philosophy of "pure and simple unionism" to one of revolutionary unionism. Thus, Eugene V. Debs, one of the greatest socialist trade union leaders, pointed out in the *Appeal to Reason*, in 1904, that the struggle for immediate gains was only one aspect of the labor movement, not its ultimate goal:

The members of a trade union should be taught the true import, the whole object of the labor movement and understand its entire program.

They should know that the labor movement means more, infinitely more, than a paltry increase in wages and the strike necessary to secure it; that while it engages to do all that possibly can be done to better the working conditions of its members, its higher object is to overthrow the capitalist system of private ownership of the tools of labor, abolish wage-slavery and achieve the freedom of the whole working class and, in fact, of all mankind.

But the pleadings of Debs and other radical unionists were not heeded by the leaders of the AFL. Hence in 1905, Debs, Daniel De Leon, "Big Bill" Haywood, and others organized the Industrial Workers of the World. In place of the AFL policy of organizing skilled workers into exclusive craft unions, the IWW called for the organization of all wage workers, skilled and unskilled, Negro and white, into industrial unions; to the conservative AFL policy of organizing workers only for the everyday struggles against employers, the IWW added the socialist program of overthrow of capitalism. Compare, for example, excerpts from the preamble of the constitution of the IWW with that of the AFL:

The working class and the employing class have nothing in common . . . Between the two classes a struggle must go on until the workers of the world organize as a class, take possession of the earth and the machinery of production and abolish the wage system.

Instead of the conservative motto, 'a fair day's wage for a fair day's work,' we must inscribe on our banner the revolutionary watchword 'abolition of the wage system.'

It is the historic mission of the working class to do away with capitalism.

Up to the first World War, the opposition to the conservative trade union policy of the AFL came from Socialist Party members boring-from-within the organization, and from the IWW outside. After the

MONTHLY REVIEW

war, the IWW declined to such an extent that it was no longer of importance in the labor movement, and the Socialist Party was torn asunder by expulsions and withdrawals of its most militant members who joined the newly-formed Communist Party. The remaining Socialists then joined forces with the leaders of the AFL and ended their boring-from-within opposition movement.

The fight for revolutionary trade unionism was now taken up by the Communist Party through the Trade Union Educational League set up in 1922, and later through its successor, the Trade Union Unity League, formed in 1929. Both these organizations attacked the "class collaboration" policies of the AFL, and called for an all-out program of organizing the unorganized and industrial unionism. In the worst depression years, the TUUL gave militant leadership to mass demonstrations of the unemployed; it was a powerful factor in forcing the AFL to reverse its reactionary policy on Federal unemployment insurance; and it stimulated and led some of the big strike struggles in the early days of the New Deal. Like the IWW, it was never strong numerically, but its influence extended beyond its membership. It was, however, a dual union movement with many sectarian weaknesses, including that of basing its practice on too advanced a revolutionary union program before the necessary educational spadework had been done with the masses. In 1933 it began a merger movement with the AFL, on a union basis where possible, and an individual basis where necessary. By 1935 it was liquidated.

The CIO was formed in 1935 and established on a permanent basis in 1938 after a few years of successful organizing efforts unparalleled in American labor history. It carried forward the program of organizing all wage workers, skilled and unskilled, into industrial unions. But though its most successful field organizers believed in socialism, the CIO as such, contrary to widespread opinion, has never favored the overthrow of the capitalist system. It was, in its early years, more militant than the AFL in the struggle to better the conditions of the workers; it fought harder than the AFL to repair the capitalist order, but it did not have, as its aim, the abolition of capitalism.

In socialist thought, the labor question is as much a political as it is an economic question; and political action by the trade unions is considered just as important as the day to day struggle for economic gains in giving labor a consciousness of its class position and its role in effecting the change to socialism. The need for the creation by labor of a political party of its own to advance its interests, instead of using the political apparatus set up and dominated by the employers, should have been apparent to a child but conservative Ameri-

can labor leaders have never understood it. It would never occur to them to suggest to their members that they elect an employer's representative to an office in a union, or to lead a strike; but in every election year they do advise them to choose this or that employer's representative to go to Congress to make the laws affecting the welfare of the working class.

That this has been traditional AFL policy is well known. Less well known, but equally true, is the fact that it has been CIO policy as well. The huge fanfare about CIO political action has served to blind many people to the realization that the CIO position in respect to politics is not very different basically from that of the AFL. The CIO, like the AFL, has not advocated the creation of labor's own political party; the CIO, like the AFL, has followed the pattern of "rewarding its friends and punishing its enemies."

It has done so more systematically, more energetically, and with more publicity. Its program has been broader in that, unlike the AFL which measures its "friends" and "enemies" by their stand on labor issues alone, the CIO's yardstick has been the candidate's whole record. CIO's Political Action Committee has striven to get out the labor vote, spotlight the record of the candidates, and actively support those candidates—both Democratic and Republican—whose record is either favorable, or least harmful to labor. But it must be remembered that CIO-PAC is not a labor party.

It might be supposed that the failure of the Democratic Party to carry out its pledge to repeal the Taft-Hartley law would serve to awaken labor leaders at long last to the necessity for creating their own instrument of political struggle, instead of continuing the short-sighted policy of relying on their "friends" in the employer-dominated old parties. But no. "It does not seem the Taft-Hartley bill will be repealed as was pledged in the platform of the Democratic national convention in 1948," laments Daniel Tobin, president of the Teamsters' Union and four-time chairman of the Democratic Party's labor committee. What follows? Have the labor leaders learned the obvious lesson? Not at all. According to *The New York Times* of March 2, 1949, vice-president Dave Beck, who relayed Mr. Tobin's sentiments to the teamsters' conference, said that "he hoped labor would never be forced to go into politics here, as it had done in England, since he believed it was preferable to work through economic rather than political means."

The question arises: *why* has the American trade union movement, unlike that of Europe, carried on a non-political battle for immediate gains instead of a revolutionary struggle for socialism? In no other

MONTHLY REVIEW

industrial country of the world is the working class so uninformed about the teachings of socialism. Why?

We must turn to history for the answer. America was one of the richest countries in the world in its stores of untapped natural resources; we had no dead hand of feudalism to stave the capitalist development of our fabulous natural treasure. The possibilities of economic and social expansion were enormous. America was the Promised Land of the nineteenth century, a land flowing with steel and oil as well as with milk and honey. It was a land of riches to which the poor of Europe came for wealth. It was a land of freedom to which the enslaved and oppressed fled.

Our democratic revolution came earlier and was more complete than in any other major country. Politically, socially, and economically, America was the land of opportunity. Relative to older capitalist countries, America did offer greater opportunities for advancement. More easily and more quickly than anywhere else, workers could rise above their class. As a result, class lines were never so sharply drawn here as in Europe. For that reason, perhaps more than any other, American workers were less responsive to the message of socialism than elsewhere.

This is the generally accepted answer to the problem. What lessons can we draw for the future? Clearly that American workers can and will learn the necessity for socialism as the only solution to their problems—because the economic situation which allowed for our unequalled fluidity of class lines has been changed.

The opportunities for advancement which were, in reality, never as extensive as they seemed, are today more scarce than they ever were. Though the memory lingers on, and the press, radio, movies, and schools continue their efforts to perpetuate the dream, the basic economic fact remains that since 1929, if not earlier, the dream has no longer been true. The "up" escalator moves haltingly now, where formerly, in the rapidly expanding society of the past, it moved speedily. This does not mean that with ability, energy, and luck it is no longer possible for a poor boy to become rich. It is. But the chances for the poor to rise above their station are smaller than ever before in our history.

Where opportunity is lacking, it is not enough to have ability. And opportunity is lacking. That's what Supreme Court Justice Jackson told the members of the American Political Science Association in 1937:

The real curse of our system of private enterprise today is that it has destroyed enterprise, it does not offer an opportunity for enough

of the ablest men to rise to the top . . . the dream of ability rising to the top is seldom true . . . Parents labor and save to provide formal educations for their children and when that education is finished there is no place for the boy or girl to go except to start at the bottom of an impossibly long ladder of a few giant corporations dominated by America's sixty families."

(The New York Times, Dec. 30, 1937)

A few years later, in its Monograph No. 11, (p. 55), the Temporary National Economic Committee of the United States Congress confirmed the analysis of Justice Jackson. It reported that in respect to both large and small corporations, "It is widely recognized that substantial opportunity for promotion does not exist for a large proportion of the workers . . . Most of them, therefore, must look forward to remaining more or less at their current levels despite the havoc this may visit upon the American tradition of 'getting ahead'."

The rope of "getting ahead" that has tied the American worker to the capitalist system has become frayed. The conditions are ripe for socialist education.

This is true in spite of the fact that the idea of socialism is under greater fire from the ruling class than ever before; it is true in spite of the fact that currently the leaders of labor give only feeble resistance to the economic dictatorship of the monopoly capitalists at home, and actually foster their expansionist and anti-socialist policy abroad. For, as C. Wright Mills points out, something else of great significance is also true:

The long trends making for acquiescence and continued loyalty to a failing system now flatten out and begin to decline. The recent historical experience of the working people in America has shaken loose many of the ideas which have lagged behind the changed structure of events. Within one generation the people of this country have been subjected to two world wars and one great slump.

(The New Men of Power, p. 271)

Though the conditions are ripe for socialist education, though the need is great, the task is not an easy one. Educating workers for socialism is a long slow process and every means at the labor leaders' command must be employed. The union paper, for example, must not be thought of as a news or propaganda organ concerned only with the fight for wages and hours, but also as a means for teaching class struggle and class consciousness. A strike situation can help to develop class consciousness if the lessons are properly drawn—it will not do so automatically. A pamphlet on current unemployment which spells out the danger in terms of the hardships resulting from the loss of jobs is not enough—it must also explain the nature of capitalist crisis, why crises are inevitable in capitalist

MONTHLY REVIEW

society, and how unemployment can be abolished through socialist planning. Unless this kind of basic socialist education is carried on always and everywhere in the life of union members, it is foolish to expect proper understanding and action on vital current issues. An ounce of real socialist knowledge is worth a pound of frenzied last-minute agitation.

The class-conscious trade union leader has the particularly difficult job of walking a tight-rope between the pull of satisfaction of immediate demands on the right, and the pull of the socialist objective on the left. To talk socialism while neglecting the day to day struggle is a hopelessly sectarian position which gets nowhere; on the other hand, to focus attention solely on the day to day struggle without ever pointing the way to the goal of socialism is to substitute the means for the end—and will not attain the goal. The job is to couple wisely the immediate with the ultimate objective.

TRANSITION TO SOCIALISM IN EASTERN EUROPE

BY OTTO NATHAN

Among the many great contributions of Karl Marx to human knowledge in general and to the understanding of social relations in particular, perhaps none has proved more fertile than his conception of the fluidity of economic and social institutions. The grandeur of Marx's theory of historical development is matched only by its extreme simplicity. Just as nature itself is always changing, just as biological evolution never stops, just as man himself incessantly, although imperceptibly, changes, so too does the organization which man has built for the production of his daily necessities constantly change. It is this idea of never-ceasing development, the thought that nothing is stable but the constancy of change itself, which so deeply disturbs those whose privileges give them a vested interest in things as they are, and leads them to resist change by every means at their disposal.

Marx, however, not only put change at the center of his theory; he analyzed the basic trends of his time and predicted that they would

Otto Nathan, a professor of economics, visited Poland and Czechoslovakia last summer to study developments on the spot. This the first of two articles on the subject.

culminate in a new form of society. His monumental critical analysis of the capitalist organization of production and distribution, on which he labored for four decades from the completion of his university studies until his death in 1883, presented for the first time an explanation of the economy *in motion*—an economy that harbors many conflicts and contradictions. This was in sharp contrast to the pattern of a harmonious, basically stable and unchanging economy which all earlier—and most later—economists postulated as the subject of their investigations.

By analyzing the relations existing in capitalist society between entrepreneurs and workers and the pressures and drives which govern their activities, Marx was able to show why and how the various economic institutions of capitalism would develop in the direction of a collectivized form of society. The far-reaching changes that have occurred in all capitalist countries, during the last century—the decline of competition, the growth of new types of monopolistic enterprise, the decreasing significance of the price mechanism as a regulator of the economy, the rise of trade unions and political parties of the workers, the increasing severity of the conflict between capital and labor, the enactment of social legislation, and the variety and frequency of government intervention—were clearly recognized by Marx as the inevitable products of maturing capitalism. They were not accidental or haphazard occurrences but arose from the very nature of the system itself; and they were necessary preparatory steps leading to society's ultimate transition to socialism.

Marx's theory naturally gave rise to the expectation that socialism would be achieved first in advanced capitalist countries—countries with a high level of industrialization, a large, skilled, and class-conscious proletariat, and a technically advanced agriculture. The working class would take over a highly productive economy. Aside from political and sociological problems arising from the loss of power and control by the former ruling class, the chief *economic* problems facing the workers would be of two kinds: first, replacing the incentives and controls of private ownership; and second, perfecting the machinery and techniques of centralized planning.

For a variety of reasons which cannot be considered in this article, history has not conformed to these expectations. In the wake of World War I, socialism was first achieved in Russia where industrial capacity was relatively limited, agriculture on the whole primitive, and the working class only a small part of the huge population. Under these circumstances, the transition to socialism in the Soviet Union was a period of numerous experiments and bitter controversies, of recurring

MONTHLY REVIEW

emergencies and cruel hardships. At times, only an invincible determination to build socialism on the part of those who bore the heavy responsibility of government, stood between success and failure. Inevitably, the problems which had to be solved were much more complicated and difficult than socialist theorists had believed them to be.

And now, since the end of the second World War, seven more countries in eastern Europe (Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Yugoslavia, and Albania) have embarked upon the transition to socialism. In spite of dissimilarities in detail, they are all following the same basic policies: none of them has yet achieved socialism; they all have mixed economies with socialist sectors of varying size and importance.

Except in the case of Czechoslovakia and parts of the new Poland, these countries are similar to Russia after World War I in having relatively undeveloped industries, a predominantly pre-capitalist agricultural system, and generally very low standards of living. In addition—and again like Russia—they were pauperized by the ravages of war, by harsh and cruel occupation, and by great loss of manpower. Once again, therefore, socialism is being introduced into an environment where the problems inherent in the transition itself are multiplied and complicated by the need to repair the losses of war and occupation, and to overcome economic backwardness. The crucial nature of these tasks can hardly be overestimated.

Socialism implies more than the abolition of private ownership in the means of production and the replacement of economic anarchy by rational planning. These are merely the means to specific ends. The real goal of socialism is a vast improvement in the material and cultural life of all the people. This can be achieved only on the basis of an economy which combines technologically advanced agricultural methods with extensive industrialization. To undeveloped countries, in other words, socialism means, first and foremost, fundamental structural changes in the economy without which no reforms, however drastic, can bring the desired increase in the material and cultural standards of the masses. For without these structural changes, it would be impossible to increase the productivity of human labor which is an indispensable prerequisite to the improvement of living standards. Relatively little could be accomplished in this respect merely by abolishing exploitation and changing the distribution of national income towards greater equality, since the pre-war total national income in those nations was relatively very small.

Socialists everywhere, and not least in western Europe and America, can learn much from a study of the transition to socialism in east-

ern Europe; but they must always keep in mind the specific conditions under which this transition is taking place if they are to draw correct conclusions and apply these conclusions to their own problems. The scope of particular reforms, the order of their adoption, the tempo of change—all these things have to be decided against a background of objective limitations which are far from universal in character. Thus if the abolition of certain capitalist positions is sometimes delayed, if the introduction of socialist forms into agriculture has only begun, if living standards rise more slowly than hoped for, if incentives and methods peculiar to capitalism are to a certain extent retained, and if in other respects the change-over to a socialist economy is uneven and incomplete, we must not assume that these occurrences are manifestations of a general law of transition. To a large extent they are due to the specific obstacles which have to be overcome in countries where capitalism itself had never taken firm hold and grown to maturity.

Of all these obstacles, none is more important or more pervasive in its effects than a severe shortage of capital. Great amounts of capital must be provided to replace the losses caused by war and occupation; and even larger amounts will be required for years to come for the mechanization of agriculture, the building up of industry, and the re-orientation of economic activity to fit into an international pattern which has been drastically altered by the events of the last ten years. To provide "capital," it should be explained, means to devote part of a nation's human and material resources to the production of machinery and equipment of various kinds, or to the production of goods which can be exported in exchange for imports of machinery and equipment. Alternatively, a country can, if conditions are favorable, borrow capital from more advanced countries which, being a net addition to a nation's own production, greatly facilitates the transformation. Except for the Soviet Union which received relatively little outside assistance, no country in the world has brought about, solely by use of its own resources, the kind of structural changes which are now being undertaken in eastern Europe.

The problem which the eastern European countries face in this connection is, of course, not identical with the problem which, in the past, capitalist societies have had to solve on the road to industrialization. The fact that they can plan their development in advance gives them a great advantage over capitalist societies and enables them to avoid much of the waste which always accompanies capitalist development. However, since they are moving toward socialism, they have wanted, from the very beginning, to improve working and living conditions *simultaneously* with the structural transformation of their econ-

MONTHLY REVIEW

omies. They must, therefore, if at all possible, devote a larger portion of their productive resources to the betterment of health, housing, and cultural and educational facilities, than capitalist countries have ever done under similar conditions. In capitalist countries, the living standards usually remained very low while large masses were compelled to leave the land to segregate in the slums of fast growing cities, and huge fortunes were accumulated in private hands.

In the early days after the end of the war when eastern Europe received much assistance through UNRRA, chiefly from the United States, it was confidently expected that capital imports from more advanced countries would greatly facilitate reconstruction and development of that region. But because of the political tension that has since developed between East and West, the situation has completely changed. The Soviet Union, it is true, has helped its neighbors in many ways; but since its own needs for capital—to overcome its war losses, to increase its industrial potential, and to raise its living standards—are very great, its assistance through export of capital and otherwise is necessarily circumscribed. There is little hope for capital imports from any other quarter. It has even become extremely difficult for the eastern European countries to *purchase* much needed equipment from the West. Unless political conditions change substantially, the eastern European countries will have to carry through the structural economic changes necessary for the transition to socialism very largely on their own resources. But as their various economic plans recently adopted or in preparation have made obvious, they are as determined as ever to improve living, working, and cultural facilities during this difficult period of economic transformation.

Transition to socialism will necessarily be different in different countries. It will be determined by the maturity of capitalism in a given nation and by the specific economic, political, and social conditions at the time of transformation. In relatively undeveloped countries, the real limitation to the progress of socialism is the lack of resources, particularly the narrow basis of industries producing capital equipment. This is true in all eastern European countries, except in Czechoslovakia where, because of the great loss of manpower, the very poor harvest of 1947, and the changes in trade relations throughout the world, the limitation of resources has also become a very serious problem.

It augurs well for the future of socialism that in spite of the tremendous obstacles that have to be overcome, remarkable progress has been made since the end of the war in building socialist societies in the East of Europe.

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